

Message Text

MRN: 1973TOKYO 011784 SEGMENT NUMBER: 000001 ERROR READING TEXT INDEX

FILE; TELEGRAM TEXT FOR THIS SEGMENT IS UNAVAILABLE

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 CCO-00 SSO-00 NSCE-00 USIE-00

FILE-01 AGR-20 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-15 STR-08 OMB-01 CEA-02 PA-03 PRS-01

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

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NOW THE EFFECT OF THESE CROPS ON PRICES WILL NOT BE SEEN
DIRECTLY FOR SIX OR NINE OR MORE MONTHS BECAUSE IT TAKES
THAT LONG FOR THE ADDITIONAL CROPS OF FEEDGRAINS AND SOYBEANS
TO BE TRANSLATED INTO MORE CHICKENS, MORE HOGS, AND MORE CATTLE).
BUT THAT WILL SURELY COME, AND THAT WILL REDUCE THE --- AT
LEAST RESTRAIN THE RATE OF INCREASE, IF NOT REDUCE THE PRICES
OF FOOD PRODUCTS.

THE SECOND FACTOR WILL BE THE TAPERING OFF OF OUR OWN BOOM
WHICH IS ALREADY BEING SEEN, AND WHICH, AS I INDICATED EARLIER,
WE EXPECT TO CARRY ON THROUGH 1974, SO THAT WE WILL NOT HAVE
THE SAME KIND OF PRESSURE OF VERY RAPID RISE OF DEMAND THAT
WE HAD EARLIER.

THE THIRD ELEMENT IS THAT WE HAVE PASSED THE PERIOD OF THE
U.S. DEVALUATION. WE HAVE HAD AN INCREASE IN THE VALUE OF
THE DOLLAR RELATIVE TO OTHER CURRENCIES SINCE EARLY IN JULY
WHICH HAS, IN FACT, RECAPUTRED ABOUT 60 PERCENT OR SO OF THE
DECLINE IN THE VALUE OF THE DOLLAR THAT OCCURRED
SINCE THE BEGINNING OF THE YEAR. AND EVERY EXPECTATION I THINK
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IS THAT IF THERE ARE FUTURE CHANGES IN THE EXCHANGE RATE THAT IT WILL BE IN THIS DIRECTION OF A STRONGER DOLLAR WHICH MEANS SOME ANTI-INFLATIONARY EFFECT IN THE UNITED STATES.

AND FINALLY WE SEE THE EFFORTS ALL OVER THE WORLD. IN JAPAN AND IN GERMANY, IN THE UNITED KINGDOM AND ELSEWHERE, TO SLOWDOWN THEIR INFLATIONS. AND THEIR ACTIONS, IN SO FAR AS IT IS SUCCESSFUL, WILL CONTRIBUTE TO RESTRAINING OUR INFLATION.

SO FOR ALL THESE REASONS, WE HAVE A GOOD DEAL OF CONFIDENCE THAT WE ARE GOING TO MOVE INTO A PERIOD OF MUCH MORE REASONABLE PRICE BEHAVIOUR.

WELL, PERHAPS THAT'S ENOUGH OF AN INTRODUCTION. I DON'T WANT TO USE UP YOUR TIME IF YOU HAVE QUESTIONS. SO WHY DON'T WE RECEIVE QUESTIONS NOW.

Q. MR. OHARA OF ASHI. WHAT WOULD BE YOUR OUTLOOK FOR THE INTERNATIONAL BALANCE OF PAYMENTS?

A. WELL, THE U.S. BALANCE OF PAYMENTS HAS IMPROVED MARKEDLY IN THE LAST YEAR. THE BALANCE OF PAYMENTS -- OUR DEFICIT AND THE BALANCE OF TRADE HAS DECLINED FROM ABOUT A BILLION SEVEN IN THE SECOND QUARTER OF 1972 TO ABOUT 300 MILLION DOLLARS IN THE SECOND QUARTER OF 1973. WE HAVE VARIOUS MEASUREMENTS, BUT THE EXTENT OF THE IMPROVEMENT IS ABOUT THE SAME IN ALL MEASURES. AND WE EXPECT TO SEE CONTINUED IMPROVEMENT IN A TRADE POSITION. WE EXPECT THAT FOR THE YEAR AS A WHOLE, WE WILL MOVE FROM SOMETHING -- A DEFICIT OF SOMETHING LIKE 7 BILLION DOLLARS LAST YEAR TO REASONABLY CLOSE TO BALANCE THIS YEAR. AND WE EXPECT THAT WE ARE ALSO GOING TO GET IMPROVEMENT ON SOME OF THE OTHER ELEMENTS OF THE ACCOUNTS, ESPECIALLY ON THE CAPITAL ACCOUNTS, AS CONFIDENCE IMPROVES IN THE DOLLAR, AND, AS PEOPLE ARE FINDING, AS MANY JAPANESE ARE FINDING, THAT THE U.S. IS AN ATTRACTIVE PLACE IN WHICH TO INVEST THESE DAYS.

SO WE THINK THE OUTLOOK IS VERY GOOD, AND WE THINK THAT IS REFLECTED IN THE STRENGTH OF DOLLAR. I THINK APPRECIATION OF THIS, AWARENESS OF THIS IS REFLECTED IN THE STRENGTH OF THE DOLLAR SINCE EARLY JULY.

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Q. ONISHI OF NIKAN KOGYO. HOW DO YOU EVALUATE THE EFFECTS OF THE THIRD PHASE SO FAR, AND HOW LONG WOULD YOU PLAN TO CONTINUE THE PHASE.

A. WELL, WE ARE ON PHASE IV NOW, WHICH PERHAPS IS A COMMENT

ON THE EFFECTIVENESS OF PHASE III. BUT, WELL, YOU WILL NOTICE.
OR AT LEAST THE AMERICAN PRESS WILL NOTICE THAT IN MY LIST OF
THE REASONS FOR THE BIG SURGE OF INFLATION IN THE FIRST HALF
OF 1973 I DID NOT INCLUDE THE SHIFT FROM PHASE II TO PHASE III.
BUT THE FACT IS THAT DURING PHASE III WE HAD A VERY BIG SURGE
OF INFLATION WHICH LED US TO THINK THAT WE NEEDED TO TRY
ONCE MORE A TIGHTER FORM OF PRICE CONTROL. PHASE IV
HAS REALLY ONLY BEEN IN EXISTENCE -- HAS ONLY REALLY BEEN
FULLY IN EXISTENCE SINCE SUNDAY NIGHT. SO WE'RE NOT
QUITE ABLE TO APPRAISE IT. IT IS A SYSTEM WHICH WILL, WE
THINK, SERVE A LIMITED BUT IMPORTANT FUNCTION. IT WILL TEND
TO HOLD DOWN PRICES IN A NON-AGRICULTURAL SECTOR. I THINK
WE HAVE FOUND THAT THE ATTEMPT TO HOLD DOWN PRICES IN
A FARM SECTOR BY CONTROLS IS NOT PRODUCTIVE. IN FACT IT'S
NEGATIVE IN ITS EFFECT. BUT THERE IS CERTAIN ROOM FOR
HOLDING DOWN PRICES IN THE NON-FOOD SECTOR. AND FOR HOLDING
DOWN PROFIT MARGINS. AND THAT THERE IS A CERTAIN DEGREE OF
INFLUENCE THAT CAN BE EXERCISED OVER WAGES BY THIS KIND OF SYSTEM.
AND WE EXPECT THAT TO CONTINUE. WE HAVE HOPES THAT
IT WILL WORK, AND WE DON'T SEE ANYTHING IN OUR PAST
EXPERIENCE TO THINK THAT IT WILL NOT WORK FOR A
TEMPORARY PERIOD, IF WE DO NOT GET A VERY STRONG REVIVAL
OF EXCESS DEMAND, WHICH WE DON'T EXPECT.

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MRN: 1973TOKYO 011784 SEGMENT NUMBER: 000003 ERROR READING TEXT INDEX

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